BRITISH WATERWAYS CORPORATE PLAN FOR ENGLAND & WALES 2010/11

This plan was agreed by the Board of British Waterways in March 2010 and is at the request of Defra for 2010/11 only as the outcome of the Spending Review (SR) in October will affect future years. A new Corporate Plan for the period of the Spending Review (2011/12-2014/15) will be published in 2011.

This Plan has been the subject of consultation with Defra who confirmed the approach in August 2010 after some agreed modifications. The figures are as at March 2010 and provide illustrative guidance on future income. BW reserves the right to change these forecasts in the light of the SR, market conditions and any Ministerial decision on the proposal to move British Waterways into the civil society which is currently under consideration.

This plan should be read in this context, especially references to forecasts of future commercial income, profits from joint ventures and other sources, operating costs etc which reflect current information and economic circumstances at the date of publication.

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British Waterways – England & Wales Corporate Plan 2010-11

1 Strategic Context

1.1 Statement of Purpose

Our purpose is to protect the historic waterways in our care, to secure and earn the necessary funding, to grow the numbers who value and invest in them and to optimise the public benefit they can deliver.

This statement of purpose sits above our vision statement and helps us to clarify with both internal and external audiences what we are about. The foundation on which this Statement of Purpose is based is a safe, well maintained, fit for purpose waterway network. This plan therefore places great emphasis on developing our understanding of, and ultimately delivering, a 'sustainable waterway network'

1.2 Business Planning

1.2.1 This Corporate Plan for our business in England and Wales is a short term plan for the period 2010/11 only. We usually plan on a three or four year cycle but due to the likely significant changes in funding as a result of the 2010 Spending Review and the proposals to move BW to the Civil Society it is sensible to publish a plan for one year only.

1.2.2 Whilst success in delivering this plan will contribute towards the achievement of our longer term strategic aims the major factors which influenced the content of this plan were:

- The need to understand and explore the benefits of moving to the civil society and to build a model that has widespread support
- The general economic uncertainty in the UK economy, most notably in the property and financial sectors that have a direct impact on our own business and the returns from our JV companies.
- The need to operate within the shortfall in waterway maintenance expenditure which is required to achieve our “sustainable steady state” and consequently concentrate on priorities and efficiencies
- Our focus on delivering public benefit in the communities in which we operate
- Business reorganisation in 2009

1.3 Priorities

1.3.1 Our plan priorities for England and Wales have been informed by the following group strategic priorities:

- Maintaining the network in satisfactory order
- Achieving the shared Government/BW longer term vision of moving towards greater self sufficiency through the growth of commercial business and other funding sources
- Delivering a range of additional public benefits that are not indivisible from maintaining the network which itself will deliver the main public benefit.

1.3.2 The following key priorities provide a context for the objectives we aim to achieve through this plan.

- Continue to develop our understanding about the condition of the network and its maintenance requirements to establish a long term affordable maintenance programme.
- Ensure our risk management delivers a secure, safe environment for our people, contractors, volunteers and visitors.

- Continue to challenge the cost base of the organisation and develop improved benchmarking to drive further efficiencies and performance
- Growing third party contributions towards steady state expenditure
- Optimise the returns from our commercial portfolio, particularly in the context of the current economic conditions
- Be very clear as to the competencies and capabilities we require from our own people to achieve our forward objectives and planned performance. Ensure that we retain, develop and recruit in accordance with those requirements.
- Grow the number of people using and appreciating our inland waterway network.
- Establish long term understanding and commitment from Defra for grant funding to achieve their policy objectives
- Develop improved benchmarking throughout the business to help drive performance
- Explore the benefits of moving to the civil society
- Optimising the benefits that can come to our waterways as a consequence of the Olympics being held around the Bow Back rivers
- Improving our engagement with people and developing pilot projects and studies that might help us in the civil society
- Understanding and explaining to Defra the consequences of reduced grant in aid

2. Key Performance Indicators

We have agreed the following KPIs with Defra, which are explained below.

- Commercial Performance
- Efficiency
- Infrastructure / Functionality
- Customer Satisfaction

2.1 Commercial Performance

The key financial measure is the net commercial income, generated by BW, that we use to fund works that deliver public benefit, such as waterway maintenance and major works, restorations and regeneration activity. This target is referred to as Commercial Performance for which the Plan targets are shown in section 3.

2.2 Efficiency

2.2.1 There are a number of individual efficiency measures that will be delivered and are included within the planned figures. The business is still benefiting from last year's re organisation and further efficiencies are still emerging. In summary the efficiency and savings initiatives are shown in the following table:

Efficiency Projects	**2010/11 £k**
Included in the plan	
Included in the plan "Above the Line"	4,635
Included in the plan "Below the Line"	3,897
Total Included in the Plan	**8,532**

2.2.2 Above the line savings show through as enhanced Commercial Performance and thereby generate more net income to fund below the line activities. Below the line refers to funds for delivery of public

benefit. Efficiencies and savings here are not so readily identifiable in the figures because of the scalable nature of the expenditure in Core and Major Works and our objective of increasing the funds available in those areas. The below the line savings either enable the same output for a lower cost or higher output for the same cost.

2.2.3 The below the line savings were allowed for, in approximate terms, in setting the Core expenditure targets in this Plan. These savings and the effects of inflation and pay rises contribute the net increase in Core expenditure of only 1% pa for the same level of output.

2.3 Infrastructure / Functionality

2.3.1 Our KPI target for the condition of Principal Assets was for D&E classified assets not to exceed an aggregate percentage of 21% of the total number of Principal Assets. The Plan target for waterway Minimum Safety Standards is 100% for each year of the Plan. A Stewardship Score measure is under development and it is planned to establish the score retrospectively as at 31st March 2009 once the components and weightings of the score are agreed.

2.3.2 We will measure infrastructure condition and waterway functionality using three measures:

- **Principal Asset Condition Grade**

  Principal Assets are monitored through the Asset Inspection Programme and are given a condition grade from A (new) to E (at risk of failure). We are targeting, but only have a commitment to March 2011, a "holding" position until March 2012 such that D&E grade assets do not exceed 21% of the total. By March 2012 we will have achieved "holding state" for 5 consecutive years. There is a risk if we keep extending holding state by one year at each new corporate plan. This may give a false assurance as to the robustness of the network as eventually the underfunding of maintenance will cause more noticeable deterioration in asset condition.

Principle Asset Condition	March 2010
A	3.0%
B	23.0%
C	55.0%
D	17.0%
E	2.0%
	100.0%

- **Minimum Safety Standards**

  These were published in 2008 and represent a series of objective measures, the achievement of which will ensure that the network is safe to use. A 100% achievement against these standards is targeted in each year of the plan. Performance will be reported annually.

- **Stewardship Score**

  The proposed Stewardship Score is intended to provide an outcome measure of the overall state and functionality of the waterway and the public benefit delivered. We originally set out to find a suitable approach used by another organisation that we could learn from and adapt to suit our own network but despite efforts to do so this approach did not identify any such systems in other organisations. We have therefore developed our own methodology which has been assessed and tested by Deloitte based on data as at 2009. Further validation of the methodology is being undertaken by Deloitte with a view to reassessing the Stewardship Score as at March 2010. This will then be updated and reported on annually from 2011

2.4 Customer Satisfaction

2.4.1 We measure the public's assessment of the value of our waterways and report this as a KPI. This measurement is assessed by asking 1,000 adults in Great Britain the extent to which they agree or disagree with the following statement, "Canals are an important part of the nation's heritage". The

target score is for 90% to say they agreed or strongly agreed with the statement. We also survey users of the waterways in respect of their "propensity to recommend" their particular activity to others. The KPI is framed on the percentage that would "definitely recommend". The number of visits to the waterways is surveyed over fortnightly periods and averaged into an annual score.

2.4.2 We undertake a range of market research to monitor customer service and satisfaction. The value of the waterways, the propensity to recommend and number of visits are all monitored for BW by independent market research agencies. We will report on the following key areas:

- **Public Assessment of the value of our Waterways**

  We ask 1,000 adults in Great Britain the extent to which they agree or disagree with the following statement *"canals are an important part of the nation's heritage*". The result is assessed annually, with a target of 90% saying they agree or strongly agree with the statement. The 2008 baseline survey result was 90% who either agreed or strongly agreed with this statement. We shall report on this result annually.

- **Propensity to Recommend**

  Customer surveys with boat owners, holiday boaters, visitors to destinations and general towpath users ask respondents about their propensity to recommend a visit to the destination, or a boating holiday etc. to their friends and family. Results from across the year are collated and assessed annually. The table below shows the target set for each customer group for the *"definitely recommend"* response to the surveys.

	2010/11 Plan %
Boat Owners	50.0
Holiday Boaters*	80.0
Destination Visitors*	80.0
Towpath Visitors	70.0

* These surveys will be undertaken in alternate years.

- **Number of Visits**

  Increasing the number of visitors (people) using the waterways is an important target for us, not least in assessing the level of public benefit that we are delivering. More visitors means more people are benefiting from our waterways, possibly for the first time, rather than just existing customers visiting more often.

  We assess the number of visitors to our waterways through a telephone survey. The survey runs continuously through the year, speaking to a sample of 11,500 people representative of the UK population. The survey asks people if they have visited a waterway in the last two weeks – any longer and people tend to forget. When the results are analysed and extrapolated to the population we know that in typical two week period in 2008, 3.4 million (2007; 3 million) people visited a BW managed waterway in England and Wales. In view of the reduction in marketing spend driven by budgetary constraints we are retaining the 3.5 million target by March 2011.

3. Financial Projections Summary

3.1 Context

3.1.1 This Plan focuses on securing and earning the necessary funding both by maximising sources of income and by seeking efficiencies and cost reductions. It is assumed that the economic circumstances in early 2010 will result in material cuts in Government grant funding, particularly in England and Wales over the Spending Review period. These anticipated cut backs will require further challenging reductions in operating costs. At the time of preparing this Plan the 2010/11grant has been confirmed by Defra at approximately the amount included in this Plan.

3.1.2 The current business context is that BW is in the post implementation stage of the major structural reorganisation undertaken in 2009. These changes were far reaching and transformational. The

year ahead in 2010 will be a proving period in which the new structure beds down and is required to deliver the savings and level of operational effectiveness anticipated. Some further minor adjustments to the structure may well be necessary as the year progresses.

3.1.3 This Plan does not include any financial assumptions for the project to convert BW into a charitable entity because no firm decision has yet been made. However an allowance for the estimated costs of developing the civil society proposals is included. The net benefits of charitable status and voluntary income would be expected to accrue in the years that are beyond the range of this Plan.

3.1.4 The recent recession and depressed property market has caused BW's joint venture activities to incur continued losses. At the date of this Plan there is £135m (gross before impairments) of capital invested in the JVs. It is assumed in this Plan that the recovery of these activities into profit occurs beyond the time range of the Plan. The current funding of revenue deficits with commercial capital funds is unsustainable in the longer term and is being undertaken as a temporary expedient for the purpose of maintaining waterway expenditure during the downturn. This transfer of funds from capital to revenue will reduce the future potential growth in annual income due to the investment activity foregone.

3.1.5 The Plan figures were finalised in March 2010 at which time the final year results for the year ended 31/03/10 were not known accurately. The comparison figures for 2009/10 are therefore the 'F10' forecast for the full year based in the actual results known as at the end of January 2010 (reporting period 10).

3.2 Commentary on Financial Performance

3.2.1 A revenue deficit is planned for 2010/11 because we want to maintain spend on repairs and maintenance at a similar level as previous years. We do not have the revenue income to achieve this, and meet all our other commitments, so we have decided to incur a revenue deficit for this year. In cash flow terms this was funded by a transfer of cash from commercial capital to the extent that there was insufficient working capital in the trading bank account to bear the revenue deficit.

3.2.2 Commercial income, excluding Leisure income and JVs, shows only modest growth. In Property this reflects the overhang of recessionary market conditions with underlying rental growth assumed at an average of 1.5%. This is boosted to an assumed 2.5%. for the effects of new property investments. Leisure income is assumed to grow modestly in 2010/11, reflecting the assumptions on boat licence numbers and income yield. The growth in JV *income* in year 1 reflects BW's share of the sales of apartments in Isis, for which there is a corresponding operating cost to be deducted, resulting in an approximate breakeven profit/loss position within Isis.

3.2.3 The Property and Leisure CBIT figures show the benefit of the structural reorganisation and further cost saving assumptions with margins improved. It should be noted that the cost of the property management teams and the boating management teams are deducted from the income to arrive at the business area CBITs.

3.2.4 The 'management costs' category includes all the newly formed national teams (not property and leisure) together with centralised services, HQ and waterway unit teams. The efficiency savings that are included in the Plan are explained in section 3.6 below.

3.2.5 One primary objective of this Plan has been to try to maintain the E&W "below the line" funding for public benefit delivery at an approximately constant level of output despite the Defra grant cuts. In assessing constant output for Core Waterway, allowance has been made for the efficiencies to be achieved and the cost savings yielded by the structural reorganisation, as well the expected increases in some regulatory and environmental costs.

3.2.6 In Major Works, after adjusting for the effects of "fiscal stimulus" advance grant funding, the underlying average level of Major Works is around £26m in E&W. The net spend on E&W Regeneration activity is planned at around £4m p.a. It is assumed that the Regeneration activity will yield outputs that contribute to Steady State priorities or waterway asset maintenance priorities. The allocation of this "below the line" expenditure between these business areas will require continuing value analysis to understand where these limited resources should be allocated to best effect.

3.3 Financial Summary

3.3.1 The table below shows CBIT by business area ("Contribution before Interest and Tax"). Operating costs that are directly attributable to a business area are deducted from the income for that area in arriving at CBIT. Other operating costs, i.e. national and shared costs, are shown under the "Management Costs" category and not reallocated to business areas.

Figures in £k

Income Statement	2009/10 F10 Forecast	2010/11 Plan
Income		
Commercial Income		
Outsourced Property	19,727	18,412
BW Managed Property	10,051	10,335
Leisure	29,107	29,808
Utilities	20,109	22,228
British Waterways Marinas Limited	6,739	7,188
BW Share of Joint Ventures	13,786	19,446
Total Commercial Income	99,519	107,416
Management Costs		
Waterway Unit Management Costs	35	5
Headquarters	846	119
Central Services	802	635
Management Costs	1,684	760
Commercial Performance	101,203	108,176
Funds for Public Benefit Delivery		
Core Waterway	6,148	6,694
Major Works	1,517	-
Regeneration	15,660	16,918
Funds for Public Benefit Delivery	23,325	23,612
Total Income	124,527	131,788

CBIT	2009/10 F10 Forecast	2010/11 Plan
Commercial Income		
Outsourced Property	14,722	14,003
BW Managed Property	6,103	6,224
Leisure	22,397	22,261
Utilities	19,186	21,141
British Waterways Marinas Limited	934	1,018
BW Share of Joint Ventures CBT	(20,588)	(3,360)
Net Interest	(2,365)	(2,416)
Net Commercial Income	40,388	58,871
Management Costs		
Waterway Unit Management Costs	(7,579)	(2,983)
Headquarters	(14,220)	(10,252)
Central Services	(18,571)	(23,135)
Management Costs	(40,371)	(36,370)
Contingency	-	(2,590)
Net Commercial Performance	18	19,911
Grant	58,378	46,997
Total Net Income	58,396	66,908
Funds for Public Benefit Delivery		
Core Waterway	(55,766)	(56,279)
Major Works	(30,000)	(22,550)
Regeneration	(4,774)	(3,397)
Funds for Public Benefit Delivery	(90,540)	(82,226)
Surplus/(Deficit)	(32,144)	(15,318)
Gains/(Losses) on Disposal (exc. Joint Ventures)		
Property	6,382	2,739
Other	196	20
CBT - Capital	6,578	2,759
Unrealised Gains/(Losses)	(9,768)	9,469

3.4. Revenue Performance - Plan Highlights and Assumptions

3.4.1 Property

Investment property CBIT dips markedly in 2010/11 reflecting the full year effect of the property disposals in 2009, the transfer of industrial sites to the development sector, continued income loss from the residential disposal programme and non recurring income arrears received in 2009/10 in the office sector. BW expects to invest £15m in new property in 2010/11, the effects of which are modelled within ancillary income but will arise in the appropriate investment/development sector as proposals are approved.

The principal property KPIs are:

Year	2010/11
Income	£28.7m
Investment Property income return	6.5%
Rental voids as a % of lettable space	6.0%
Residential property disposals	£7.6m
Development Property total return	8.9%
Capital value growth % pa	3.0%

3.4.2 British Waterways Marinas Ltd

The growth in BWML's CBIT is based on a planned upgrade in the standard of the moorings together with conversion of some moorings to full residential status thereby generating increased pricing. A capital expenditure programme is planned to improve the standard of existing moorings both to maintain the competitive position of marinas in areas of high supply and to increase the income yield elsewhere. The total number of moorings is not planned to increase materially and therefore only a modest increase in operating costs is planned.

3.4.3 Leisure

Boat Licence income growth is planned through a combination of volume increases, price inflation and reducing licence evasion. In the short term there are two priority areas. Firstly, the high profile enforcement regime, which is targeted to reduce evasion from the current 4.5% to 3% by March 2011. Secondly, the expansion of online licence renewals with a target of one third of renewals in 2010/11 with associated operating cost reductions.

Mooring income will be enhanced through securing residential consent at a carefully selected list of sites and the active management and control of voids. Leisure property income will be developed through close management of the rent review process and acquisition where appropriate. It is also a strategic priority to enhance our business relationships with the boating trade.

3.4.5 Joint Ventures

Isis is assumed to complete the sales of the apartments at Manchester and Leeds and recommence development activities at its other sites. Continuing progress on preparing the Wood Wharf site for development is assumed in the Plan. Other JVs such as H_2O Urban and City Road Basin are assumed to make continuing progress on their small portfolio of development sites. This stream of future profits, and the transactions from which they are derived, is a vital contribution towards eliminating the E&W revenue deficit. To reflect the underlying property values the investments in Waterside Pubs and Gloucester Quays have been written down to nil as at Marcy 2010 with no recovery in values assumed in this Plan.

3.4.6 Management Costs

Management costs in 2009/10 include the £3.45m estimated cost of the 2009 reorganisation together with five months of the benefit of the changes (November 2009 to March 2010).

HQ includes the Board, Executive, Secretarial and Internal Audit, Financial Control teams, External Comms and PR, The Waterways Trust contribution and the pension deficit contributions. It also includes approx £1m pa for canal rates, which are currently being appealed.

The Central Services heading includes the cost of the national and centralised teams dealing with Legal, HR, ICT, Shared Service Centre, Town Planning, national office accommodation (not waterway operational bases), Marketing and Communications, Customer Relations, Safety, Engineering, Asset Management, Water Management, Environment Operations and Heritage.

3.4.7 Core Waterway

This area of expenditure covers all the day to day costs of repairing and maintaining our waterways together with the costs of providing customer services to boaters and visitors to the network.

The increase in net costs represents a theoretically constant rate of output spend after allowing for cost increases arising from inflation and new legislation and the effect of 2009 reorganisation and continuing efficiency projects. The waterways are now organised into 11 waterway units instead of the eight business units prior to the reorganisation.

Expenditure is targeted towards maintaining the achievement of our published minimum safety standards; replacing some 200 lock gates on the basis of a clearly established priority list based on a condition assessment; a planned preventative maintenance programme designed to enhance asset lives before major works or replacement is required; vegetation management to deliver reasonable customer standards and usability; and regulatory compliance in respect of buildings and mechanical/electrical installations. In addition we respond to reactive maintenance requirements again assessing need and priority before committing funds.

3.4.8 Major Works

This area covers the expenditure on major repairs to waterway infrastructure with a value in excess of £50K

After adjusting for the “fiscal stimulus” advance grant funding, the underlying average level of Major Works over the two years to 2010/11 is around £26m p.a. This level of funding enables us to focus on repairs to assets with a high consequence of failure; on reservoir works in the interests of safety (as required by statute); and a prioritised programme of dredging and culvert inspections. As only high priority works are being undertaken there is a consequent impact on reactive works in core waterway as asset lives are extended, through “a make do and mend” approach, until works become a priority item. A schedule showing the areas of planned spend in 2010/11 is shown below.

Planned Spend on Major Works £ms	**2010/11 Plan**	**2009/10 Actual**
D & E Assets	6.4	11.5
Dredging	3.6	3.5
Minimum Safety Standards	1.1	4.2
Reservoir Safety	2.2	2.2
Other Principal Assets	3.6	4.2
Non Principal Assets	5.7	4.4
TOTAL	22.6	30.0

3.4.9 Regeneration

This area covers all the income we achieve from third parties, notably Local Authorities, Lottery and Regional Development Authorities, for repairs and improvements to our waterways that produce public benefit outputs sought by those bodies

The net spend on Regeneration activity is planned at around £4m. It is assumed that the Regeneration activity will yield outputs that contribute to Steady State or waterway asset maintenance priorities. The allocation of "below the line" expenditure between Core, Major Works and Regen will require further value analysis to understand where BW's limited resources should be allocated to best effect.

3.4.10 Grant Funding

The base Defra grant in 2009/10 was £57.4m. We were informed in 2009 that this will reduce by £4.6m to £52.8m in 2010/11 but this is further reduced by £5m to claw back the advanced funding of £5m that was brought forward into 2008/09. Based on the information available at the time of preparing this Plan Based the 2010/11 grant assumption was reduced by a further 3% (£1.7m) to £46.1m. Since the Plan was prepared the 2010/11 grant has been confirmed at £46.323m compared with £46.1m assumed in this Plan.

3.4.11 General Assumptions and KPIs

The general assumption for inflation and pay rises is 2% in 2010/11. Since this Plan was prepared an annual pay rise for 2010 of 1.5% has been agreed for all staff below senior manager level. There has been no annual pay rise for 2010 for senior managers and executive directors.

3.5. Cash Resources

3.5.1 Cash management in BW is divided between the trading account (for revenue transactions) and the commercial capital account (for capital transactions). The trading account operates in a normal monthly range of between £5 and £20m as the various inflows and outflows occur during the month. The Government grant funding is profiled to match the annual expenditure profile so that the cash balance does not deviate excessively from the target range of £5m to £20m. In this Plan there is a transfer of £10m from commercial capital to the trading account planned for 2010/11 to fund the cash effect of the planned revenue deficit in that year. Some of the losses reported in that year are in JV's which have no immediate cash effect on the trading bank account.

3.6 Efficiencies and Savings

3.6.1 The business reorganisation undertaken in 2009 has been the major contributor to efficiency savings in this Plan. The expected annualised saving from the reorganisation in 2010/11 is planned to be £4m split approximately £3.2m above the line and £0.8m below.

3.6.2 Other material savings above the line comprise reductions in office accommodation coats, savings on the company car scheme, and reductions in office administration costs. In aggregate these savings are expected to be £4.6m for the 2010/11 year. These savings contribute directly towards maintaining below the line expenditure.

3.6.3. Efficiencies and savings in below the line expenditure areas (general and major works programmes) total £3.9m in this Plan for 2010/11 and involve savings in project management team costs, consolidation of sub-contractors into national contracts, savings from the 2009 reorganisation and changes to the company car scheme. After allowing for inflationary cost increases, these savings have enabled the same level of output to be delivered for an increase in total costs in money terms of approximately 1% over the previous year's costs.

4. Risk

4.1 Commercial Income

4.1.1 Joint Venture Profits

JV performance has previously been identified as our most volatile business area and the economic climate in the past year has served to crystallise some of the identified risk. Uncertainty remains on the timing and value of future profits. We are though confident of longer term success and continue to work with our partners to stabilise these businesses and prepare for improved economic circumstances whilst minimising the cash outflows and ongoing risk. We are not planning for significant returns from these ventures until 2013/14. The specific risks are property performance, bank covenant compliance and JV partner financial robustness.

4.1.2 Property Performance

In common with the joint ventures but to a lesser extent, as direct development is not undertaken in our property business area, the performance of our property portfolio is influenced by market performance and other external factors. Of particular importance is our ability to secure planning permissions, achieve planned disposals, or maintain low levels of vacant properties in order to achieve acceptable returns on our equity investment. The significant reductions in capital values in 2008/09, triggered by the worldwide reaction to the credit crunch, are expected to gradually recover through 2010/11 but with no significant improvement until 2012/13

4.1.3 Boating Income

The plan includes an increase in licence revenue due primarily from a continuation of our improved performance in reducing licence evasion. Whilst our income from boating has held up well to date, we will need to keep these figures under careful review in the current economic circumstances.

4.2 Infrastructure

We plan to 'hold' the condition of the network as outlined above. We are not therefore planning to improve the overall condition of our assets, but we do not anticipate that this will result in an increase in the number of asset failures. However, with many of our structures aged 200 years or more, this is clearly a risk. The repair and refurbishment work we undertake have inherent risks associated with the age and condition of our assets to the extent that costs cannot always be accurately predicted at the planning stage.

4.3 Grant Funding

Government spending reviews and cuts may result in the levels of grant assumed in this plan being unachievable.

4.4 Upsides & Downsides

The Plan makes assumptions about future transactions that may or may not occur. These items are not accurately predictable and some downside risk may be realised if certain expected property transactions are not concluded. Similarly there are possible transactions that are excluded from the Plan that may come to fruition.

4.5 Efficiency Targets

This Plan includes some stretching targets for further efficiencies and savings. Whilst there are a number of specific plans to achieve this, there are some general targets included that are yet to be confirmed as both practical and achievable without compromising the operational capability of the organisation.

4.6 Contingency

There is a contingency of £2.6m to allow unexpected and unforeseen events.

5. Restoration

5.1 The past decade has seen an increase in the network length of around 10% through the restoration of previously derelict waterways. There have been some notable achievements in this time with very successful partnerships having been formed and developed. We have also benefited enormously from National Lottery Funding through the Heritage Lottery Fund.

5.2 We are now at a point where the major restoration schemes are more or less complete, though there remain many more smaller schemes that are being managed by volunteer groups and independent trusts. The Droitwich Canal restoration is the last major project on site and will be completed in 2011.

5.3 With regard to other restoration projects British Waterways will be an interested observer rather than a direct participant. We will not, in a time of constrained resources, commit funds to the expansion of the network which could jeopardise our primary purpose of securing the existing network. We are though interested to see further restoration schemes completed by others, especially if these schemes can connect to our network, and we will, where possible, offer advice and guidance to these schemes.

6. Heritage

6.1 BW is responsible for a nationally important historic estate and the third largest collection of listed buildings and structures in the UK. Our estate also includes 45 scheduled monuments, conservation areas, archaeological sites as well as being within the boundaries of four World Heritage Sites.

6.2 This heritage endowment creates much of the essential character of the waterways and for British Waterways this is a business critical dimension. It is our policy and practice to repair rather than renew for both heritage and environmental sustainability reasons. We seek to sustain heritage wherever possible and often heritage assets act as a catalyst and foundation for our development proposals. In seeking to be a model of best practice we contribute to DCMS's broad agenda on valuing, safeguarding and interpreting the historic environment and we are in the vanguard of preparing Heritage Partnership Agreements in advance of changing heritage legislation. Our Heritage is a key element in our drive towards making the waterways a valued national asset.

6.3 This plan focuses on the achievement of 100% legal compliance in heritage matters as an absolute baseline; the delivery of work standards judged as "Excellent"; the opening up of our heritage for public appreciation, education and enjoyment; the ongoing reduction of Buildings at Risk and enhanced competence and awareness amongst BW staff and volunteers through training and familiarisation.

7. Environment

7.1 We aim to become an increasingly environmentally sustainable organisation and to use our network to assist others to do likewise. We have introduced an auditable Environmental Management System based on the principles of ISO 14001. Water, both corporately and for the UK as a nation, is one of our most precious resources and we are committed to effective and responsible management of water supplies in times of both drought and flood. We will continue to invest in, develop and exploit our state of the art SCADA water management system.

7.2 Our concern and care for our environment extends to all corners of our business including development of micro generating hydro facilities, offering canal water for the cooling of buildings, choice of vehicles limited to those that meet Euro V emission standards, sourcing of raw materials, repair rather than replacement policies, waste reduction and recycling activity, exploitation of video

conference technology to reduce business mileage and the prior appraisal of all canal maintenance works against our published Environmental Code of Practice.

7.3 Our focus on and commitment to responsible and sustainable environmental policy and practice ensures that we are contributing positively to the Government's Structural Reform Plans (SPR) which set priorities and measurable milestones. Defra's SRP also sets out a series of actions to achieve these priorities, which include:

- pursuing a zero waste agenda and launching a national tree planting campaign;
- publishing a Natural Environment White Paper, setting out measures to protect wildlife and promote green spaces;
- legislating to make it a criminal offence to allow illegal timber to enter the UK market;
- supporting economic growth in rural areas;
- publishing a White Paper on reform of the water industry to ensure more efficient use of water and protect poorer households.

7.4 BW already has management systems and initiatives in place to address these proposed actions to the extent that they will affect BW's activities. BW's existing Environmental Management System and our draft Action Plan for Sustainable Development includes major emphasis on carbon reduction, waste management and recycling, sustainable procurement, public benefit assessments and environmental codes of practice and appraisals.

8. Civil Society

8.1 In April 2009 we launched our 2020 vision that proposed that BW should move from the public sector to what is now known as the Civil Society, ie become a charity.

8.2 Defra ministers have welcomed this proposal and have asked us to continue developing the model and engage with users of our waterways to achieve a consensus as to the future governance and funding for the waterways. We are delighted to be doing this and with the general level of support we are receiving from all interested parties.

8.3 Ministers will not make any final decision until the results of this year's Spending Review are known because we need to have the certainty of a sufficient level of future grant support before any move outside the public sector can be achieved. Ministers also want to consult the public on the detail of any preferred governance and funding structure before making a final decision.

8.4 We hope therefore that ministers will be in a position to make a decision in principal this autumn and then following a public consultation make a definite decision in the Spring of 2011.

30 August 2011